

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Martin Township	County Allegan
Fiscal Year End 6/30/06	Opinion Date 7/25/06	Date Audit Report Submitted to State 11/12/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Vredeveld Haefner LLC		Telephone Number 616 446-7474	
Street Address 4001 Granada Ct		City Grand Rapids	State MI
		Zip 49534	
Authorizing CPA Signature 	Printed Name Peter Haefner, CPA		License Number 1102003198

**MARTIN TOWNSHIP
ALLEGAN COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006



Vredeveld Haefner LLC

MARTIN TOWNSHIP

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Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

August 25, 2006

Members of the Township Board
Martin Township
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martin Township, Allegan County, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Martin Township. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Martin Township as of June 30, 2006, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Martin Township's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vredeveld Haefner LLC

Management's Discussion and Analysis

As management of Martin Township, we offer readers of the Martin Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Township received a Department of Homeland Security grant for the acquisition of a new fire truck which required a 5% match by the Township. At year end the Truck was under construction at a Michigan Manufacturer.
- The Township invested over \$125,000 in the maintenance and improvement of the road infrastructure.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government administration, public safety, public works including road maintenance and recreation and culture activities. The Township does not have any business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all governmental funds.

The Township adopts an annual appropriated budget for its general and all special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 12-22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the Township's own programs. The accounting used for fiduciary funds is much like that used for governmental activities in the government-wide financial statements.

The fiduciary fund financial statement can be found on page 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-32 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information is limited to this management discussion and analysis.

Combining and individual fund statements and schedules can be found on pages 33-35 this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,577,747 at the close of the most recent fiscal year.

A significant portion of the Township's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,094,896	\$842,790
Capital assets	955,604	678,242
Total assets	2,050,500	1,521,032
Long-term liabilities outstanding	-	25,927
Other liabilities	486,081	344,373
Total liabilities	486,081	370,300
Net assets		
Invested in capital assets, net of related debt	955,604	652,315
Restricted	101,826	7,801
Unrestricted	506,989	490,616
Total net assets	\$1,564,419	\$1,150,732

Net assets of the Township increased by \$413,687. The governmental activities increase in net assets is primarily due to a combination of both fire protection and road fund investments in capital assets which will be depreciated over their estimated useful lives.

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenue		
Program revenue		
Charges for Services	\$109,354	\$75,059
Operating grants and Contributions	31,346	6,942
Capital grants and Contributions	174,091	133,579
	<u>314,791</u>	<u>215,580</u>
General revenue		
Property taxes	319,056	315,477
State shared revenue	153,621	157,820
Other	11,872	61,185
Total revenue	<u>799,346</u>	<u>750,062</u>
Expenses		
Legislative	27,388	16,043
General government	136,052	137,955
Public Safety	163,679	168,723
Public works	21,543	65,100
Recreation and culture	35,574	34,994
Interest	1,423	2,771
Total expenses	<u>385,659</u>	<u>425,586</u>
Increase in net assets	413,687	275,379
Net assets-beginning of year	1,150,732	875,353
Net assets end of year	<u>\$1,564,419</u>	<u>\$1,150,732</u>

Governmental activities

During the year the Township continued its emphasis in public safety by investing \$163,679 or 42% of governmental activities expenses. Legislative, general government, public works, recreation and culture and interest on long-term debt made up the remaining 58% of governmental activities expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$608,815, an increase of \$110,398 in comparison with the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$240,230. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers out.

The fund balance of the Township's general fund increased by \$4,754 during the current fiscal year.

The library fund has a total fund balance of \$229,329, which increased by \$11,619 during the year primarily due to transfers from the general fund of \$24,000.

Budgetary Highlights

There were no differences between the original and final amended budgets for the general fund. Differences between the original and final amended budgets for the library fund were the result of roof and furnace repairs that were required but that had not been anticipated before adoption of the original budget.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounted to \$955,604 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of initial payments for a fire truck under construction and road improvements.

The Township's Capital Assets (net of depreciation) are summarized as follows:

	Governmental Activities
Land	\$ 24,100
Construction in progress	183,254
Buildings, Equipment and Infrastructure	<u>748,250</u>
Total	<u>\$955,604</u>

Additional information on the Township of the Township capital assets can be found in Note 4 on page 31 of this report.

Debt. At the end of the current fiscal year, the Township had no debt outstanding. The final \$25,927 of principal on capital leases was paid during the year.

Additional information on the Township's long-term debt can be found in Note 7 on page 32 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Township's budget for the 2006-07 fiscal year:

- Property taxable values
- Flat state share revenue
- Inflation on expected expenditures

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk, PO Box 27, Martin Michigan, 49070.

TOWNSHIP OF MARTIN
STATEMENT OF NET ASSETS

JUNE 30, 2006

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,042,178
Due from other governments	52,718
Capital assets, net	
Land	24,100
Construction in progress	183,254
Buildings, equipment and infrastructure	<u>748,250</u>
Total assets	<u>2,050,500</u>
Liabilities	
Accounts payable	120,910
Unearned revenue	<u>365,171</u>
Total liabilities	<u>486,081</u>
Net Assets	
Invested in capital assets, net of related debt	955,604
Restricted for	
Permanent	
Nonexpendable	1,460
Expendable	83
Roads	100,283
Fire protection	-
Unrestricted	<u>506,989</u>
Total net assets	<u><u>\$ 1,564,419</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities					
Legislative	\$ 27,388	\$ -	\$ -	\$ -	\$ (27,388)
General government	136,052	53,384	-	-	(82,668)
Public safety	163,679	45,506	-	174,091	55,918
Public works	21,543	9,980	6,664	-	(4,899)
Recreation and culture	35,574	484	24,682	-	(10,408)
Interest on long-term debt	1,423	-	-	-	(1,423)
Total governmental activities	\$ 385,659	\$ 109,354	\$ 31,346	\$ 174,091	(70,868)
General revenues					
Property taxes					
General operating					53,338
Roads					204,351
Fire protection					61,367
State shared revenues					153,621
Interest earnings					11,878
Total general revenues and transfers					484,555
Change in net assets					413,687
Net assets, beginning of year					1,150,732
Net assets, end of year					\$ 1,564,419

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2006

	Special Revenue			
	<u>General</u>	<u>Library Fund</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>
Assets				
Cash and cash equivalents	\$ 307,758	\$ 227,329	\$ 434,324	\$ 71,224
Due from other governments	50,718	2,000	-	-
Total Assets	<u>\$ 358,476</u>	<u>\$ 229,329</u>	<u>\$ 434,324</u>	<u>\$ 71,224</u>
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 2,372	\$ -	\$ 113,733	\$ 4,805
Deferred revenue	78,444	-	220,308	66,419
Total Liabilities	<u>80,816</u>	<u>-</u>	<u>334,041</u>	<u>71,224</u>
Fund balances				
Reserved				
Perpetual care	-	-	-	-
Unreserved				
Designated	37,430	-	-	-
Undesignated	240,230	229,329	100,283	-
Total fund balances	<u>277,660</u>	<u>229,329</u>	<u>100,283</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 358,476</u>	<u>\$ 229,329</u>	<u>\$ 434,324</u>	<u>\$ 71,224</u>

The accompanying notes are an integral part of these financial statements.

<u>Permanent Fund</u>			
<u>Cemetery Fund</u>		<u>Total</u>	
\$ 1,543	\$ 1,042,178		
-	52,718		
\$ 1,543	\$ 1,094,896		
\$ -	\$ 120,910		
-	365,171		
-	486,081		
1,460	1,460		
83	607,355		
1,543	608,815		
\$ 1,543	\$ 1,094,896		

TOWNSHIP OF MARTIN

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Fund balances - total governmental funds	\$ 608,815
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Amounts reported for *governmental activities* in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets (net)	<u>955,604</u>
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Net assets of governmental activities	<u>\$ 1,564,419</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue			
	<u>General</u>	<u>Library Fund</u>	<u>Road Fund</u>	<u>Fire Protection Fund</u>
Revenues				
Property taxes	\$ 53,338	\$ -	\$ 204,351	\$ 61,367
Intergovernmental revenues	153,621	2,551	-	174,091
Penal fines and charges	58,332	22,131	-	-
Contributions from local units	-	-	-	20,750
Interest	5,420	6,458	16,591	4,981
Miscellaneous	10,729	484	-	4,098
Total revenues	281,440	31,624	220,942	265,287
Expenditures				
Current				
Legislative	27,388	-	-	-
General government	138,624	-	-	-
Public safety	50,406	-	-	84,367
Public works	1,507	-	126,970	-
Recreation and culture	74	44,005	-	-
Capital outlay	-	-	-	188,257
Debt service				
Principal	-	-	-	25,927
Interest	-	-	-	1,423
Total expenditures	217,999	44,005	126,970	299,974
Revenues over (under) expenditures	63,441	(12,381)	93,972	(34,687)
Other financing sources (uses)				
Transfers in	-	24,000	-	34,687
Transfers out	(58,687)	-	-	-
Total other financing sources (uses)	(58,687)	24,000	-	34,687
Net changes in fund balances	4,754	11,619	93,972	-
Fund balances, beginning of year	272,906	217,710	6,311	-
Fund balances, end of year	\$ 277,660	\$ 229,329	\$ 100,283	\$ -

The accompanying notes are an integral part of these financial statements.

<u>Permanent</u> <u>Fund</u>			
<u>Cemetery</u> <u>Fund</u>		<u>Total</u>	
\$	-	\$	319,056
	-		330,263
	-		80,463
	-		20,750
	53		33,503
	-		15,311
	53		799,346
	-		27,388
	-		138,624
	-		134,773
	-		128,477
	-		44,079
	-		188,257
	-		25,927
	-		1,423
	-		688,948
	53		110,398
	-		58,687
	-		(58,687)
	-		-
	53		110,398
	1,490		498,417
\$	1,543	\$	608,815

TOWNSHIP OF MARTIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Net changes in fund balances - total governmental funds	\$ 110,398
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	318,969
Deduct - depreciation expense	(41,607)

Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on notes payable	<u>25,927</u>
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Change in net assets of governmental activities	<u>\$ 413,687</u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 54,800	\$ 54,800	\$ 53,338	\$ (1,462)
Intergovernmental	159,350	159,350	153,621	(5,729)
Fees and service charges	57,250	57,250	58,332	1,082
Interest	6,000	6,000	5,420	(580)
Miscellaneous	7,160	7,160	10,729	3,569
Total revenues	284,560	284,560	281,440	(3,120)
Expenditures				
Current				
Legislative	22,312	22,312	27,388	(5,076)
General government	151,816	151,816	138,624	13,192
Public safety	46,200	46,200	50,406	(4,206)
Public works	250	250	1,507	(1,257)
Recreation and culture	750	750	74	676
Total expenditures	221,328	221,328	217,999	3,329
Revenues over (under) expenditures	63,232	63,232	63,441	209
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(78,832)	(78,832)	(58,687)	20,145
Total other financing sources (uses)	(78,832)	(78,832)	(58,687)	20,145
Net changes in fund balance	(15,600)	(15,600)	4,754	20,354
Fund balance, beginning of year	272,906	272,906	272,906	-
Fund balance, end of year	\$ 257,306	\$ 257,306	\$ 277,660	\$ 20,354

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN

LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Intergovernmental	\$ 1,800	\$ 1,800	\$ 2,551	\$ 751
Penal fines and charges	20,000	20,000	22,131	2,131
Interest	-	-	6,458	6,458
Miscellaneous	300	300	484	184
Total Revenues	<u>22,100</u>	<u>22,100</u>	<u>31,624</u>	<u>9,524</u>
Expenditures				
Current				
Recreation and culture				
Library	39,270	47,220	44,005	3,215
Total expenditures	<u>39,270</u>	<u>47,220</u>	<u>44,005</u>	<u>3,215</u>
Revenues over (under) expenditures	(17,170)	(25,120)	(12,381)	12,739
Other financing sources				
Transfers in	17,170	25,120	24,000	(1,120)
Net changes in fund balance	-	-	11,619	11,619
Fund balance, beginning of year	<u>217,710</u>	<u>217,710</u>	<u>217,710</u>	<u>-</u>
Fund balance, end of year	<u>\$ 217,710</u>	<u>\$ 217,710</u>	<u>\$ 229,329</u>	<u>\$ 11,619</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN

ROAD FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Property taxes	\$ 195,000	\$ 195,000	\$ 204,351	\$ 9,351
Interest	-	-	16,591	16,591
Miscellaneous	15,600	15,600	-	(15,600)
Total Revenues	<u>210,600</u>	<u>210,600</u>	<u>220,942</u>	<u>10,342</u>
Expenditures				
Current				
Public Works				
Roads	195,000	195,000	126,970	68,030
Total expenditures	<u>195,000</u>	<u>195,000</u>	<u>126,970</u>	<u>68,030</u>
Revenues over (under) expenditures	15,600	15,600	93,972	78,372
Other financing sources				
Transfers in	-	-	-	-
Net changes in fund balance	15,600	15,600	93,972	78,372
Fund balance, beginning of year	<u>6,311</u>	<u>6,311</u>	<u>6,311</u>	<u>-</u>
Fund balance, end of year	<u>\$ 21,911</u>	<u>\$ 21,911</u>	<u>\$ 100,283</u>	<u>\$ 78,372</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 63,800	\$ 63,800	\$ 61,367	\$ (2,433)
Federal grants	5,600	5,600	174,091	168,491
Contributions from local units	20,000	20,000	20,750	750
Interest	-	-	4,981	4,981
Miscellaneous	22,451	22,451	4,098	(18,353)
Total Revenues	111,851	111,851	265,287	153,436
Expenditures				
Current				
Public Safety				
Fire department	79,500	79,500	84,367	(4,867)
Capital outlay	5,000	5,000	188,257	(183,257)
Debt service				
Principal	25,927	25,927	25,927	-
Interest	1,424	1,424	1,423	1
Total expenditures	111,851	111,851	299,974	(188,123)
Revenues over (under) expenditures	-	-	(34,687)	(34,687)
Other financing sources				
Transfers in	-	-	34,687	34,687
Net changes in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MARTIN
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2006

	<u>Agency Funds</u>
Assets	
Cash	\$ 53,062
Total assets	<u>\$ 53,062</u>
Liabilities	
Due to other governments	\$ 53,062
Total Liabilities	<u>\$ 53,062</u>

The accompanying notes are an integral part of these financial statements.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Martin Township, Allegan County, Michigan (the "Township") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Martin Township. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Township.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported in total. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Fund* accounts for the operations of the Township library. This fund is primarily funded through penal fines and transfers from the general fund.

The *Road Fund* accounts for the revenues received from property taxes which are specifically earmarked for construction and maintenance of roads in the Township.

The *Fire Protection Fund* accounts for the revenues received from property taxes which are legally restricted for fire protection activities.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

The *Cemetery Permanent Fund* accounts for the corpus of a trust fund for which only interest on the corpus may be expensed for cemetery maintenance.

Additionally, the Township reports the following fund types

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. The Township maintains two agency funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Fiduciary Funds are accounted for using the accrual basis of accounting

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township Clerk submits to the Township board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Township are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Township. Any amendment to the original budget must meet the requirements of Michigan Law. The Township did amend its budget for the year ended June 30, 2006. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Township utilized depository and savings accounts during the year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10-50
Vehicles and equipment	15-40
Infrastructure	40

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the Township reported *deferred revenue* for property taxes levied for 2007 as follows:

General fund	\$ 78,444
Road fund	220,308
Fire protection fund	66,419
	<hr/>
	\$365,171

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

Property Taxes

The Township bills and collects its own property taxes which are levied December 1 and payable by February 15. The Township also collects taxes for other governmental units which are payable on July 1 and February 1. Property tax revenues are recognized as revenue in the year subsequent to the year in which they are levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. Designations in the general fund at year end are for cemetery improvements.

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the Township carried commercial insurance to cover risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the functional level. The approved budgets of the Township for these budgetary funds were adopted at the activity level. During the year ended June 30, 2006, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
Legislative			
Board	\$ 22,312	\$ 27,388	\$ (5,076)
General Government			
Clerk	20,650	21,457	(807)
Assessor	16,800	19,557	(559)
Hall and grounds	11,251	21,009	(9,758)
Public Safety			
Zoning and planning	40,200	44,406	(4,206)
Public works			
Refuse and lighting	250	1,507	(1,257)
Special Revenue Funds			
Fire protection fund			
Fire department	79,500	84,367	(4,867)
Capital outlay	5,000	188,257	(183,257)

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,042,178	\$ 53,062	\$ 1,095,240

These deposits are in one financial institution located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at fair value.

Investment and deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. As of year-end, \$1,024,010 of the Township's bank balance of \$1,124,010 was exposed to custodial credit risk because it was uninsured and uncollateralized.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 24,100	\$ -	\$ -	\$ 24,100
Construction in Progress	-	183,254	-	183,254
Total capital assets, not being depreciated	24,000	183,254	-	207,354
Capital assets, being depreciated				
Building and improvements	260,000	17,178	-	277,178
Equipment and vehicles	509,242	4,805	-	514,047
Infrastructure	210,565	113,732	-	324,297
Total capital assets, being depreciated	979,807	135,715	-	1,115,522
Less accumulated depreciation for:				
Building and improvements	164,960	4,905	-	169,865
Equipment and vehicles	154,751	28,595	-	183,346
Infrastructure	5,954	8,107	-	14,061
Total accumulated depreciation	325,665	41,607	-	367,272
Net capital assets, being depreciated	654,142	94,108	-	748,250
Governmental Activities capital assets, net	\$ 678,242	\$ 277,362	\$ -	\$ 955,604

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 3,960
Public safety	28,595
Public works	8,107
Recreation and culture	945
Total depreciation expense - governmental activities	\$ 41,607

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2006 are as follows:

	General Fund
Transfers out by fund	
Library	\$24,000
Fire protection	34,687
	\$58,687

Transfers are used to subsidize the library and fire protection fund.

MARTIN TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

6. DEFINED CONTRIBUTION PENSION PLAN

Plan Description

The Township provides pension benefits for all its elected officials, librarian, and sextant through a defined contribution plan. The plan is a nontrustee plan, and the Township does not administer the plan assets. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigned the authority to establish and amend benefit provisions to the Township Board of trustees. Officials are eligible to participate from the date of employment and are fully vested immediately. The Township contributes approximately 4.5% of salary yearly for each trustee and employee into the plan. The Township made the required contribution of \$4,500 during the year ended June 30, 2006.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the Township for the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year
Governmental Activities					
7.5% capital lease for the purchase of a fire truck with Kansas State Bank of Manhattan, payable in annual installments of \$27,350 through 2006	\$ 25,927	\$ -	\$(25,927)	\$ -	\$ -
Total Governmental Activities	\$ 25,927	\$ -	\$(25,927)	\$ -	\$ -

8. COMMITMENTS

As of year end the township had outstanding commitments of \$132,446 for the completion of the fire truck under construction. The road fund had outstanding commitments of approximately \$350,000 for road projects.

TOWNSHIP OF MARTIN

GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 54,800	\$ 54,800	\$ 53,338	\$ (1,462)
Intergovernmental revenues				
State shared revenues	159,350	159,350	153,621	(5,729)
Fees and service charges				
Tax collection	19,500	19,500	19,846	346
Building and zoning	22,500	22,500	22,341	(159)
Burial	15,000	15,000	15,705	705
Building rental	250	250	440	190
Total fees and service charges	57,250	57,250	58,332	1,082
Interest	6,000	6,000	5,420	(580)
Miscellaneous	7,160	7,160	10,729	3,569
Total Revenues	<u>\$ 284,560</u>	<u>\$ 284,560</u>	<u>\$ 281,440</u>	<u>\$ (3,120)</u>

TOWNSHIP OF MARTIN

GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Legislative Board	\$ 22,312	\$ 22,312	\$ 27,388	\$ (5,076)
General government				
Supervisor	16,405	16,405	12,330	4,075
Elections and registration	6,150	6,150	710	5,440
Clerk	20,650	20,650	21,457	(807)
Board of Review	1,600	1,600	582	1,018
Assessor	16,800	16,800	17,359	(559)
Treasurer	20,150	20,150	19,557	593
Hall and grounds	11,251	11,251	21,009	(9,758)
Cemetery	33,310	33,310	27,194	6,116
Other	25,500	25,500	18,426	7,074
Total general government	151,816	151,816	138,624	13,192
Public Safety				
Ambulance	6,000	6,000	6,000	-
Zoning and planning	40,200	40,200	44,406	(4,206)
Total public safety	46,200	46,200	50,406	(4,206)
Public Works				
Refuse and lighting	250	250	1,507	(1,257)
Recreation and culture				
Parks	750	750	74	676
Total expenditures	\$ 221,328	\$ 221,328	\$ 217,999	\$ 3,329

TOWNSHIP OF MARTIN
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2006

	<u>Agency Funds</u>		<u>Total</u>
	<u>Current Tax Fund</u>	<u>Payroll Trust Fund</u>	
Assets			
Cash	\$ 48,188	\$ 4,874	\$ 53,062
Total assets	<u>\$ 48,188</u>	<u>\$ 4,874</u>	<u>\$ 53,062</u>
 Liabilities			
Due to other governments	\$ 48,188	\$ 4,874	\$ 53,062
Total Liabilities	<u>\$ 48,188</u>	<u>\$ 4,874</u>	<u>\$ 53,062</u>



Vredeveld Haefner LLC
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Peter S. Haefner, CPA
(616) 460-8388

August 25, 2006

To the Board of Trustees
Martin Township

In planning and performing our audit of the financial statements of Martin Township, for the year ended June 30, 2006, we noted certain matters involving internal control and/or operations which we would like to bring to your attention. These matters were reviewed with management and we will review these matters during future audits.

ACCOUNTING PROCESS AND SYSTEM

During our audit we noted that trailer tax payments were not being made in a timely manner. We suggest that the legal requirements be reviewed for the various tax payments so that payments are made as required.

POLICIES AND PROCEDURES

We noted during our review of internal controls that the policies of the Township are not formally documented. We noted specifically that policies relating to payroll, cash collections, and cash disbursements are not formally documented. Having well documented policies in all of the Township's operations is important to ensuring consistent treatment of accounting transactions as well as providing for smooth transfers of duties in case of vacations, illness, or turnover. We recommend the Township document and periodically update the policies and procedures of all Township activities. We further recommend the Township Board review them to ensure the Board approves of the ways in which the Township conducts its business.

INTERNAL CONTROLS

During our audit we noted that the Township was not recording the transactions of the agency funds on the general ledger. We believe that the process of recording agency fund transactions on the general ledger would significantly improve the internal controls over the property tax collection process. We suggest that the agency fund transactions be recorded at least monthly on the general ledger.

We would like to thank the Township Officers for their assistance during the annual audit. Their advanced preparation and availability allowed for an efficient and effective audit process.

This report is intended solely for the information and use of the Township Board and Management of the Township, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Vredeveld Haefner LLC



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August 25, 2006

To the Board of Trustees
Martin Township

We have audited the financial statements of Martin Township, Michigan, for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Martin Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Martin Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Martin Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is the useful lives of capital assets.

Management's estimate of the useful lives of capital assets is based on historical actual usefulness and expected future usefulness of these assets. We evaluated the key factors and

assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Martin Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Martin Township, either individually or in the aggregate, indicate matters that could have a significant effect on Martin Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Martin Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board and management of Martin Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Orlando Haefner LLC